

**Sole vs. Division of Responsibility – Summary of National Practices**

Grey text indicates country that allows division of responsibility.

**Brazil**

The Brazilian standard is line with that of ISA 600 paragraph 18.

**Germany**

While the German Commercial Code would not require the auditor of consolidated financial statements to examine the financial statements of consolidated subsidiaries if their financial statements had been subject to a statutory audit or a voluntary audit of equivalent scope by an auditor of equivalent qualifications, this does not lead to divided responsibilities. The auditor of the consolidated financial statements still takes full responsibility for the audit of the consolidated financial statements. The law and auditing standards just permits the auditor of the consolidated financial statements to rely on the work of the auditors of the financial statements of subsidiaries. No reference is made in the audit report to the reliance upon the work of other auditors.

**United Kingdom**

UK Auditing Standards do not contemplate the division of responsibility between principal and other auditors as described in paragraph 18 of ISA 600. SAS 510, which is the UK equivalent of ISA 600, requires at SAS 510.2 ‘Auditors should consider whether their own participation is sufficient to enable them to act as principal auditors.’ Paragraphs 22 and 23 of SAS 510 state: ‘When the principal auditors are satisfied that the work of the other auditors is adequate for the purposes of their audit, no reference to the other auditors is made in the principal auditors’ report. The principal auditors have sole responsibility for their audit opinion and a reference to the other auditors in the principal auditors’ report may be misunderstood and interpreted as a qualification of their opinion or a division of responsibility, neither of which is appropriate.’

**Australia**

Division of responsibility is not allowed. AUS 602.19, Using the Work of Another Auditor, states that “(t)he auditor should not refer to the work of another auditor in an audit report unless required by legislation or as part of a qualification. Such a reference may be misunderstood to be a qualification of the auditor’s opinion or a division of responsibility, neither of which is intended.”

**China**

The principal CPA should not generally refer to the work of another CPA in the audit report. In some circumstances, such as the following, the principal CPA may consider referring to the work of the other CPA in the audit report:

- where the principal CPA cannot review the work of the other CPA or perform the necessary audit procedures directly; or
- when the work of the other CPA does not satisfy the requirements and the principal CPA cannot perform the necessary audit procedures directly.

However, this should not be regarded as division of responsibility to the other CPA. The principal CPA still has to accept full responsibility for the audit report on the consolidated financial statements. If the principal CPA decides to refer to the other CPA in the audit report, he should state the scope of the audit by both parties, and the proportion of the total asset value, operating revenue or other material items audited by the other CPA to the values of these corresponding items in the entity's financial statements as a whole.

### **Malaysia**

The division of responsibility is not allowed. The principal auditor is required to assume responsibility for the opinion on the entire financial statements, including the portion represented by the components audited by the other auditors.

### **Canada**

Canadian standards provide explicitly that the primary auditor should make no reference in his or her report to the work of the secondary auditor when the primary auditor expresses an opinion without reservation (paragraph 6930.22). The guidance emphasises that the primary auditor has overall responsibility for his or her opinion on the financial statements of the primary entity. However, the guidance allows the primary auditor, when expressing an opinion with reservation, to refer to his inability to rely on the work of the secondary auditor in his or her report if such a disclosure explains the reason for his or her reservation.

### **United States**

If the principal auditor is able to satisfy himself as to the independence and professional reputation of the other auditor and takes steps he considers appropriate to satisfy himself as to the audit performed by the other auditor, he may be able to express an opinion on the financial statements taken as a whole without making reference in his report to the audit of the other auditor. If the principal auditor decides to take this position, he should not state in his report that part of the audit was made by another auditor because to do so may cause a reader to misinterpret the degree of responsibility being assumed.

On the other hand, the principal auditor may decide to make reference to the audit of the other auditor when he expresses his opinion on the financial statements. In some situations, it may be impracticable for the principal auditor to review the other auditor's work or to use other procedures which in the judgment of the principal auditor would be necessary for him to satisfy himself as to the audit performed by the other auditor. Also, if the financial statements of a component audited by another auditor are material in relation to the total, the principal auditor may decide, regardless of any other considerations, to make reference in his report to the audit of the other auditor. When the principal auditor decides that he will make reference to the audit of the other auditor, his report should indicate clearly, in the introductory, scope and opinion paragraphs, the division of responsibility as between that portion of the financial statements covered by his own audit and that covered by the audit of the other auditor. The report should disclose the magnitude of the portion of the financial statements audited by the other auditor. This may be done by stating the dollar amounts or percentages of one or more of the following: total assets, total revenues, or other appropriate criteria, whichever most clearly reveals the portion of the financial statements audited by the other auditor. The other auditor may be named but only with his express permission and provided his report is presented together with that of the principal auditor. Reference in the report of the principal auditor to the fact that part of the audit was made by another auditor is not to be construed as a qualification of the opinion but rather as an indication of the divided responsibility between the auditors who conducted the audits of various components of the overall financial statements.

**France**

French professional standards do not allow for a division of responsibility of auditors.

**South Africa**

Division of responsibility is not allowed in local standards. SAAS 600.17 provides that “Where the principal auditor concludes that the work of the other auditor can be used, and an unqualified opinion is issued, then the principal auditor should not refer to the work of the other auditor.”

**Japan**

Division of responsibility is not allowed. The “Implementation Guidance” issued by the JICPA provides that while the principal auditor may use the work of the other auditor, the principal auditor should express an opinion based on his/her own judgment and does not make reference to the work of the other auditor in the auditor’s report.

**Italy**

A CONSOB Communication dated February 15, 1995 provides guidance on the auditor’s report where the professional services of other auditors are used. According to the guidance the second paragraph of the auditor’s report should state that the financial statements of controlled and associated businesses have been examined by other auditors who have provided the auditor with their reports. It should also indicate the percentage of income and percentage of total assets that were examined by other auditors. The opinion paragraph should not refer to the work of the other auditors.

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